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I N D U S T R I A L

SMALL ENTERPRISES AND ENTREPRENEURSHIP DEVELOPMENT

(S E E D)

P R O G R A M M E :

(A People-Oriented and Person Centered
Technical Assistance Approach
To Generate New Industrial Ventures
Through Self-Employment) *

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1. WHAT IS UNIDO'S INDUSTRIAL SEED PROGRAMME ?

UNIDO's Industrial Small Enterprises and Entrepreneurship Development (SEED) Programme has many dimensions (or faces) which can be described as follows:

1.1. A relatively new technical assistance effort within UNIDO's IO/INFR Branch that responds to the urgent need of developing countries to develop human resources required to help governments achieve economic and social goals through self-reliance.

1.2. A people-oriented and person-centered programme, aimed at increasing and improving entrepreneurial activity as a means of accelerating industrialization and economic growth.

1.3. A comprehensive and integrated industrial operation that emphasizes actors as its focal point, i.e. individuals and groups with real names undertaking concrete steps toward clearly specified objectives:

1.3.1. Human Resource Development Facilitators and Change-Agents activating the entrepreneurial spirit and directing this to innovative ventures in the small and rural industries sectors;

1.3.2. Potential Entrepreneurs who are starting new industrial enterprises; and

1.3.3. Small Industry Consultants and Industrial Extension Officers cultivating multi-entrepreneurial styles for expanding and diversifying already established industrial enterprises.

1.4. An affirmative-action scheme directly linked to small and rural industries development and catering to basic needs of backward neglected areas with particular attention to the aspirations of certain population groups (e.g. minority and low-income groups, women, young people, etc.) for equal opportunities,thus giving them a chance to play meaningful roles in the great rhythms of industrial and socio-economic progress.

1.5. A supportive programme to the urgent need for special institutional mechanisms in developing industrial entrepreneurships as well as for arousing interest in aid- and funding-agencies to assist in fostering entrepreneurship through continued research and development.

2. AN ANALYSIS OF SOME BASIC ISSUES

2.1. Who is the entrepreneur ?

2.1.1. An entrepreneur is a person who assumes the risk of organizing and managing a new venture.

2.1.2. This definition implies such leadership qualities as the ability to take personal risks, creative ways of responding to problems in one's environment, and intuitive capacities enabling the person to believe ("the hunch") that what one is about to do will work.

2.1.3. The new enterprise may take the form of a new type of business in trade or industry, or a new way of doing things in an established firm.

2.1.4. An entrepreneur, as owner of his enterprise, has a deeper personal commitment and takes a higher risk than the manager in a company who executes policies and strategies under the supervision of a board or shareholders.

2.1.5. The entrepreneur is thus distinguished from the manager in that he exercises a far greater degree of independence and does not merely perform a job. He manages in several specialized aspects and he may also be technician and seller.

2.2. What is entrepreneurship development ?

2.2.1. Entrepreneurship development is a carefully designed programme based on holistic and systems approaches to prepare and assist entrepreneurs perform effectively in business.

2.2.2. Through a series of well concerted and sequential events (comprising activities), the entrepreneur undergoes a maturation process of a new social identity, a coming into being ("becoming") and a ripening into a new role.

2.2.3. Like any "becoming", entrepreneurship development is a long-term process during which Facilitators and Change-Agents assist in stimulating, facilitating, and accelerating the development of

a) desirable entrepreneurial traits
b) entrepreneurial skills and
c) product ideas and industrial projects of potential entrepreneurs.

2.2.4. Entrepreneurship development is not just a one-shot or short-term affair in which one learns a few ideas and acquires certain skills as is usually the aim in training courses.

2.2.5. Entrepreneurship is a process that sets a chain reaction: It involves the development of values and patterns of behaviour in individuals whose entrepreneurial ways can have a positive or negative impact on society. A programme to produce leaders for industry must be sensitively planned and have the flexibility to assist peoples achieve objectives within the framework of their respective national goals.

2.3. What role does entrepeneurship have in a country's industrialization?

2.3.1. Entrepreneurship is considered a key factor in a country's development. Entrepreneurship mobilizes the drives and energies of young people who through intense entrepreneurial activities can help harness local resources for productive and gainful purposes. The entrepreneurs played crucial roles in the industrialization of economically advanced countries and their gradual disappearance could well be linked with declining economic growth rates.

2.3.2. In particular, entrepreneurs are needed in creating small industries and self-employment schemes which, in turn, generate opportunities for jobs and additional incomes.

2.3.3. A well-planned entrepreneurship development programme can be strongly instrumental in implementing government policies to disperse economic power, achieve balanced growth and develop industrial centres away from metropolitan areas.

2.3.4. Aside from directly supporting regional development and rural industrialization, entrepreneurs can also play multiple social roles, e.g. helping stem migration and brain-drain to congested industrial poles, influencing adjustments desired in the socio-economic structure and intensifying backward-forward linkages in the

economy, e.g. with agriculture, commerce, education, etc.

2.3.5. Special mention must be noted about the potential role of rural entrepreneurs in modernizing traditional industries as well as in bringing artisan- and crafts- activities into the industrial mainstream with due concern for preserving aesthetic and folkloric values.

2.4. Are entrepreneurs born or bred ?

2.4.1. It is traditionally believed, and the feeling is still unfortunately widespread even amongst development agents, that entrepreneurship (like leadership) is a quality that cannot be fostered. However, the last 15 years of intensive research and experimentation in promoting entrepreneurship has produced considerable evidence that, indeed, entrepreneurship needs to be encouraged, can be planned, and can be properly aided even after people reach adulthood. This was confirmed in June 1975 at the International Symposium on Entrepreneurship and Enterprise Development (ISEED) where 269 experts and authorities from 42 countries gathered to instigate the flow of technical and personal information on a large-scale.

2.4.2. As in any other aspect of personality development, there are proven ways of nurturing entrepreneurial traits which enable the person concerned to respond more effectively to opportunities for entrepreneurship. There are techniques and methods of accelerating a potential entrepreneur's "becoming"; it is possible and helpful to dispel fears or clarify perceptions of obstacles. Non-privileged and minority cultural groups urgently require special assistance in this regard. Just a little push may give an individual that sense of calculated risk he needs to launch a business venture. Without this push he remains a great potential and may stay that way for a lifetime.

2.4.3. To enhance entrepreneurial possibilities and success, motivational urges to break from the past and to establish one's independence as entrepreneur must be supported by 1) a realistic perception of opportunities, 2) organizational skills and 3) managerial competence. There is a definite need for entrepreneurship breeding centres not only for the transmission of knowledge and information but specially

for the conditioning of desired attitudinal and behavioural qualities.

2.5. Why foster entrepreneurships ?

2.5.1. ISEED seems to have stimulated greater interest in entrepreneurship development, judging from the number of groups formed offering aid-programmes and producing valuable and abundant literature after 1975. But much work remains to be done even in the basic area of raising consciousness that entrepreneurship development is not a simplistic matter of providing opportunities and facilities to would-be owners of production. A complex of personal, socio-cultural and organizational factors require the attention of government and change-agents to run effective programmes in entrepreneurship development.

2.5.2. Although the problem still needs to be diagnosed through in-depth studies, it is generally recognized that industry's greatest challenge is the underdevelopment, underutilization and ineffective employment of a country's most valuable resource: the leadership talent of its people especially among the young.

2.5.3. It is well known that the socio-economic environment and educational systems reinforce trends where young people prepare themselves to render a service in a dependency situation for the security of salaried jobs and regular working hours. Under such conditions the entrepreneurial impulse is stifled. In the case of developing countries, the situation takes on staggering proportions not only because of the numbers involved but especially in view of the world-wide implications of not providing enough positive outlets for the entrepreneurial urges of young people.

2.5.4. In most developing countries entrepreneurship is confined to a small group of people where there is a concentration of capital and leadership talent. The few others who get into this limited circle usually travel via long difficult routes. Many entrepreneurs set up ventures with high determination and enthusiasm but unprepared to counter inhibiting factors inherent to small industries. Most fall by the wayside or end up leading weak non-competitive industries.

2.5.5. There is almost no supply to the great demand and need for movers who will sow and cultivate seeds for quality industrialization. Leaving the emergence and development of entrepreneurship to chance will not in any substantial way produce the quality and quantity of entrepreneurs desired to charter the course of a country's economic and social progress.

3. INDUSTRIAL SEED PROGRAMME: OBJECTIVES, PROCESS AND INSTITUTIONAL REQUIREMENTS

As already mentioned, Industrial SEED Programmes will vary in scope and intensity and will have to be tailored to specific circumstances and requirements of countries requesting technical assistance. The basic elements of the total programme are meant to be complementary and the degree to which they are present impacts on the effectiveness of the programme. The following paragraphs give an indication of the range of activities and inputs involved and it is possible that several countries already fulfill certain requirements.

3.1. What needs to be done ?

3.1.1. To create awareness amongst policy-makers in governments and aid-executing agencies and to provide them with clearer perspective on the role of industrial entrepreneurs in accelerating a country's industrialization as well as on the problems and implications for developing appropriate plans and strategies.

3.1.2. To establish a formal mechanism designed especially to assist would-be industrial entrepreneurs by giving easy access to various support systems which provide:

a) information to those who do not know where and how to start
b) guidance in developing ideas and dreams into viable industrial projects
c) meaningful learning systems for the development of entrepreneurial traits and skills
d) real opportunities in terms of financial guarantees through incentives, credit lines and venture capital sources
e) technical assistance required during the initial period of productive operations as well as for sustained steady growth required to keep a new industry competitive.

3.1.3. To provide the network of institutional support required for effectively planning, monitoring and evaluating industrial SEED programmes by ensuring continued research, working facilities, and funds needed in systematic ways.

3.2. How is a typical industrial SEED programme implemented ?

The entrepreneurship development process is a logical sequence of activities within the framework of interrelated organizational and social factors. This process involves three major phases once the authorities have made the decision to launch a programme:

3.2.1. Preparatory Phase: setting up the organizational machinery comprising Learning-Facilitators, Change-Agents and Counsellors. Target development areas and groups are identified and studied. The programme is designed and planned.

3.2.2. The Formative Phase: centered on potential and fledgling entrepreneurs who go through three stages of "breeding" activities:

a) Pre-Incubation Period: identification and selection of candidates by screening and testing methods following a promotional campaign;

b) Incubation Period: through a variety of well-coordinated intervention modules and learning systems, the selected candidates undergo intensive identity-formation and personality changes. Entrepreneurial traits and skills are nurtured through motivation techniques, problem solving exercises, organization- building and communication skills, and exposure to the whole business of producing and marketing a product. Candidates identify products or product lines and formulate plans for their industrial projects. Depending on the personal and technological requirements, some may have to undergo apprenticeships.

c) Post-Incubation Period: candidates subject their project ideas and plans through rigorous pre-investment activities as feasibility studies, market surveys, trial runs, pilot operations, explore capital sources, apply for licensing and organize plant installation.

3.2.3. Follow-up and Re-inforcement Phase: this covers a period from start-up of manufacturing operations to a break-even in the business and includes ad-hoc counselling and monitoring activities, all of which will vary in accordance with individual needs of the fledgling entrepreneurs. Evaluation for corrective action should cover both the programme as a whole as well as individual entrepreneurs.

3.3. What are the institutional requirements ?

Aside from setting-up the organizational machinery which will have the primary responsibility for overseeing and implementing Industrial SEED Programmes, an important concern and activity is that of establishing an institutional network of support systems: extension services, financial institutions, industrial estates and common facilities. In most instances, Small Industrial Advisory Units already exist as government agencies within Ministries of Industry and these may be suitable to co-ordinate the programme. Inputs from such support systems will vary according to the needs and quality of the entrepreneurs in the programme but it is important to remember that they should play key roles in generating a positive climate in the environment and in minimizing the impact of inhibitory factors.

The interplay of all elements in an Industrial SEED Programme is shown in the accompanying chart.

4. A SPECIAL NOTE ON WHAT THE INDUSTRIAL SEED PROGRAMME IS NOT:

4.1. While entrepreneurship development is intended as a fostering and supportive programme carried out over a long period in a sustained way, it is not designed to encourage dependency by providing a lifetime crutch to would-be entrepreneurs. The "breeding activities" are designed to further qualities of self-reliance in the candidates and are not meant as substitutes for the pre-entrepreneurial hard work that is required from self-movers. Remembering Parkinson's law that "work expands to fill the time available for its completion", the setting of deadlines is considered an important aspect of designing programmes, events and activities for each candidate. Planning the candidate's phasing out from the programme should be given due attention.

4.2. Finally, Industrial SEED Programmes are links or paths to banks, credit institutions and venture capital sources, not substitutes for these investment institutions.

5. WHERE DO WE BEGIN ?

5.1. Assuming that the government is willing to embark on entrepreneurship development, anyone interested in any aspect or the whole of UNIDO's Industrial SEED Programme should apply for technical assistance through normal channels in their respective countries (the Ministry of Industry to National Planning or Foreign Relation Offices and finally, to the United Nations Development Programme Resident Representative's Office). UNIDO can also help in preparatory assistance activities such as identifying entrepreneurship development needs, geographical areas and population groups; designing appropriate plans; and formulating project proposals.

5.2. An essential consideration is to identify an institution that has a commitment to developing entrepreneurs for small/rural industries. This institutional base should then be provided with the minimum logistical support and staff with expertise in entrepreneurship development.

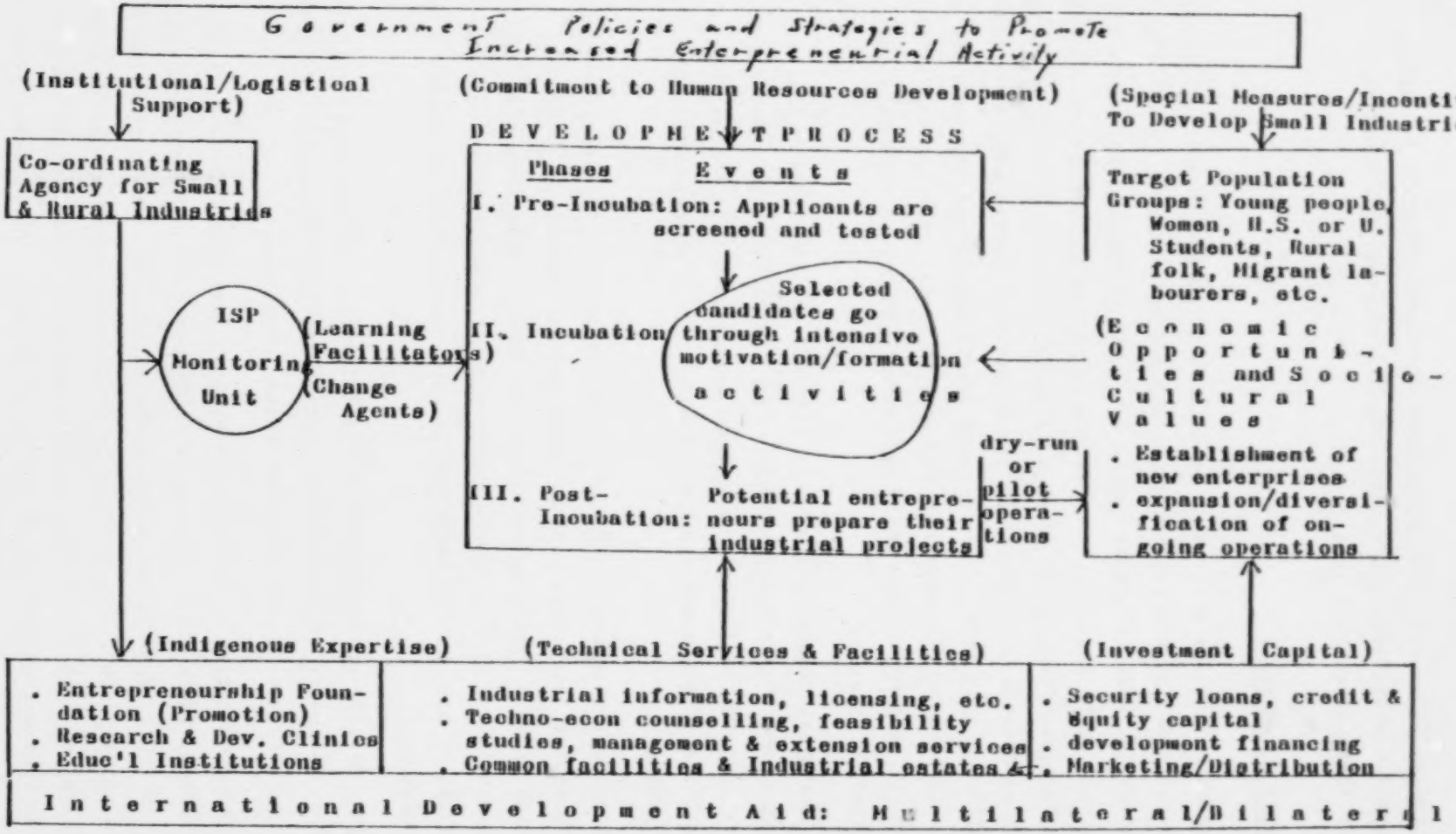
5.3. While institution-building should ideally precede the developmental or breeding activities, the 2 phases may run parallel. UNIDO can assist in this regard by providing the experts and other critical components. A twin project-concept along these lines has been developed and can be used as the base for initial discussions and possible project formulation:

5.3.1. Developing and Expanding the Industrial Entrepreneurship Sector;

5.3.2. Youth- or Women-Oriented Entrepreneurship Development Programmes for Small-scale and Rural-based Industries.

5.4. In those countries where entrepreneurship is thought to be sufficiently developed, there would be need for Entrepreneurship Development Clinics to carry out research and development activities. Entrepreneurship is a relatively new field of study in which much work needs to be done and Clinics can help ensure that studies are action-oriented and are directed to promote entrepreneurships for industry where entrepreneurial activities are not as abundant as in agriculture, commerce or trade.

INDUSTRIAL SEED PROGRAMME
PROCESS AND COMMUNICATIONS NETWORK


Government Policies and Strategies to Promote Increased Entrepreneurial Activity
(Institutional/Logistical Support)
(Commitment to Human Resources Development)
(Special Measures/Incentives To Develop Small Industries)
Co-ordinating Agency for Small & Rural Industries
DEVELOPMENT PROCESS
Phases
Events
I. Pre-Incubation: Applicants are screened and tested
Target Population Groups: Young people, Women, H.S. or U. Students, Rural folk, Migrant labourers, etc.
ISP Monitoring Unit
(Learning Facilitators)
(Change Agents)
II. Incubation
Selected candidates go through intensive motivation/formation activities
(Economic Opportunities and Socio-Cultural Values
dry-run or pilot operations
III. Post-Incubation: Potential entrepreneurs prepare their industrial projects
. Establishment of new enterprises
. expansion/diversification of ongoing operations
(Indigenous Expertise)
(Technical Services & Facilities)
(Investment Capital)
. Entrepreneurship Foundation (Promotion)
. Research & Dev. Clinics
. Educ'l Institutions
. Industrial information, licensing, etc.
. Techno-econ counselling, feasibility studies, management & extension services
. Common facilities & Industrial estates
. Security loans, credit & equity capital
. development financing
. Marketing/Distribution
International Development Aid: Multilateral/Bilateral

Arrows show the direction of organizational, environmental and other inputs in support of the Making of Industrial Entrepreneurs.

Exhibit 1.

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